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SUBJECT: SUSTAINABLE ENERGY: A NEW OPPORTUNITY FOR IRELAND'S ECONOMY?

¶1. (U) Summary: Ireland is moving quickly to increase its use of renewable energy and position its business sector to take advantage of the boom in green technology. Rising dependence on foreign sources of energy, EU environmental obligations, and growing energy costs that threaten to diminish Ireland's competitiveness have prompted the government this year to adopt an aggressive policy requiring greater use of new energy sources and greater efficiency. While abundant natural energy resources such as wind and ocean add to Ireland's advantage, its ability to harness their potential for commercially available technology remains its biggest challenge and one that will require even more government support than is currently available. End summary.

IRELAND'S ENERGY SUPPLY AND CLIMATE CHANGE CHALLENGES: THE CONSEQUENCES OF ECONOMIC SUCCESS

¶2. (U) Ireland's remarkable economic and population growth over the last decade has resulted in a significant increase in the Republic's reliance on imported energy and consequently its vulnerability to energy supply disruptions and price volatility. While indigenous gas fields supplied over 80 percent of the Irish market in 1996, today 90 percent of Ireland's energy comes from imported fossil fuels. Adding to Irish concerns is the fact that Britain, Ireland's largest energy supplier, is rapidly increasing its own reliance on energy imports amid growing domestic demand and declining North Sea supplies.

¶3. (U) Strong economic activity has also complicated Ireland's ability to meet its Kyoto Protocol targets for greenhouse gas emissions. A European Commission report released this fall predicts that by 2010 Ireland's emissions will be 22.6 percent above its 1990 levels -- the benchmark year for the Protocol -- meaning Ireland will miss its target by 10 percentage points.

¶4. (U) According to data from Sustainable Energy Ireland (SEI), the Republic's electricity currently comes from natural gas (40 percent), coal (28 percent); oil (15 percent), peat (10 percent), renewables (3.5 percent), and imported electricity (3.5 percent). With a statutory ban on nuclear power generation along with commitments to reduce emissions from "unclean" sources such as coal and peat, energy economists predict Ireland's dependence on imported natural gas for electricity could reach 70 percent by 2020 if no steps are taken.

¶5. (SBU) Given this import dependence and almost nonexistent indigenous production, Ireland is beginning to look at the possibility of liquefied natural gas (LNG) imports as a solution to its energy security problem. Paddy Power, Managing Director of Shannon LNG (a subsidiary of Hess

Petroleum), told us that his company is planning to construct a USD 800 million LNG import terminal on the west coast of Ireland. He said that the facility will be connected to the domestic pipeline network and could almost completely fulfill Ireland's gas import needs. Currently, Ireland imports 85 percent of its natural gas by pipeline from the UK. In light of this fact, Irish policymakers are concerned that a disruption somewhere in the European supply chain would mean the lights going out on the island. (Note: Ireland is at the far western end of the supply chain. End note.) Power said that it is for this reason that the government deemed the Shannon LNG project as of "strategic significance," which should lead to a faster approval process.

RENEWABLE ENERGY MOVING UP THE POLITICAL AGENDA

¶6. (U) While traditional fossil fuels will continue to dominate the energy mix in Ireland, many political observers have characterized 2007 as a watershed year for Irish energy policy with the introduction of a unified Republic of Ireland/Northern Ireland electricity market. Moreover, the inclusion of the Green Party in Ireland's ruling coalition that won the national election in May 2007 has pushed energy and environmental issues even higher on the Republic's political agenda and facilitated the government's lean toward increasingly aggressive policies in this area.

¶7. (U) Even before the ascent of the new coalition government, however, Dublin had begun moving toward a sustainable energy agenda in line with the EU's common energy policy and the need to develop reliable sources for indigenous energy. The Irish government in March released a long-term energy plan that commits to boosting the proportion of energy from renewable sources to 15 percent of electricity

by 2010, and 33 percent by 2020. This rate of change translates into a three percent per year decrease in greenhouse gas emissions. The plan also promised to cut emissions by requiring all peat electricity stations to be co-fired with 30 percent renewable material by 2015, and by requiring all petrol and diesel fuel to have a 5.75 biofuel mix by 2009.

¶8. (SBU) To achieve these targets, Ireland's National Development Plan for 2007-2017 set aside new funding, including 276 million euros in the sustainable energy sector, to support renewable energy, energy efficiency, and innovation. The plan designated 150 million euros specifically for research into ocean and tidal energy. Morgan Bazilian, Special Advisor to the Minister of Energy, told us that he hopes to get additional funding in this area of energy development.

ECONOMIC BENEFITS OF CLEAN ENERGY TECHNOLOGY

¶9. (U) Ireland's move to greater renewable energy use is as much an economic decision as political. Irish businessmen and government officials estimate that if the right policies and incentives are adopted now, clean energy technology could trigger Ireland's next investment boom and reinvigorate the now slowing Celtic Tiger economy. Recent UN data show that $85 billion was invested worldwide in developing green technology in 2007 alone -- funding that Ireland would like to tap.

¶10. (U) The Republic's western seaboard has one of the best wind resources in the world and the introduction of an all-island electricity market and prospect of a UK-Ireland electricity connector by 2012 could enable Ireland to export "green" electricity into mainland Europe. Wind is expected to provide the bulk of Ireland's renewable energy over the next decade; however, energy experts counsel that improved grid connections and efficient electricity storage facilities

are urgently needed to maximize its potential.

¶11. (U) Ireland's energy sector current employs 12,000 workers, according to Irish government data, and Minister for Energy Eamon Ryan has told the Irish press that this figure has the potential to increase four-fold. Already, enterprising Irish companies such as Airtricity and OpenHydro have entered the green energy market with success. Airtricity has developed into a 1.3 billion euro firm in less than ten years and OpenHydro was selected as the first renewable energy company to install a tidal turbine at the European Marine Energy Center off the Scottish coast.

¶12. (U) In addition to revenue generation, Irish economists predict the move to renewable energy will create long-term benefits for Ireland. Rising energy costs have placed Ireland in the top three most expensive European countries for industrial consumers of electricity, hurting the Republic's business competitiveness. Moreover, Ireland already has had to set aside millions of euros to purchase carbon credits for its excessive emissions.

LOOKING TO DEVELOP A NICHE IN OCEAN ENERGY

¶13. (U) Irish officials expect that ocean energy may be deployed in small-scale demonstrations by 2010, but do not expect it will contribute significantly to Ireland's electricity supply before 2020. The prospect of ocean energy, however, has keenly interested Irish business as it represents an untapped commercial market and Ireland's offshore coastline is ideally suited to large-scale wave and tidal generation.

¶14. (U) Using the offshore wind market as a reference, Irish economists project the value of the domestic market for ocean energy could be 180 million euros in 2020, rising to 780 million euros by 2025. They estimate by securing 20 percent of the European export market, Irish developers could bring 1.6 billion euros to the Irish economy by 2025 and create 1,300 new jobs. SEI projects even greater gains, estimating the market for ocean energy may be worth 2 billion euros for Ireland by 2025.

¶15. (U) Business officials assess the biggest challenge for Ireland will be making the ocean technology commercially viable. While wave energy is close to being able to provide commercially available electricity -- a wave energy prototype has begun generating electricity during trials in Galway -- tidal technology is still prohibitively expensive compared to wind turbines and carries with it potential environmental

problems such as negative effects on ecosystems. Ireland, too, is likely to face stiff international competition, with experimental ocean energy projects currently being tested throughout the world including in other European nations such as Denmark, Greece, Sweden, Norway, and the UK.

SEEKING U.S. EXPERTISE

¶16. (SBU) Bazilian told us that the Irish government could use U.S. collaboration in a number of key areas, including making ocean energy commercially viable, the technology to promote energy efficiency, and experience in revenue decoupling. (Note: Revenue decoupling is a ratemaking mechanism designed to eliminate the dependence of a utility's revenues on sales, thereby allowing the utility to actively promote energy efficiency without having to sacrifice financial stability.)

COMMENT

¶17. (SBU) On energy and environment issues, the Irish

government is looking for ways to ensure security of supply and fulfill its Kyoto commitments. On the latter, Ireland is on the hook to reduce its emissions to 13 percent above 1990 levels by 2012. However, Ireland will only be able to reach this goal through the purchase of emission credits because the government has yet to implement policies that will allow it to reach its targets for electricity from renewable sources. Alluding to Irish history, one climate change economist we spoke to joked that the only way the government can reach these targets is to cut the population in half by promoting outward migration. Inevitably, the right policy will likely be a mix of initiatives, including building an LNG regasification terminal, boosting the ocean and wind energy sectors, and improving energy efficiency.
FOLEY